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People Centered Support Services, Inc.
Annual Financial Statements
As of June 30, 2007 and for the Year Then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/2/08

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People Centered Support Services, Inc.
Annual Financial Statements
As of and for the Year Ended June 30, 2007
With Supplemental Information Schedules

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EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana 71270

We have audited to balance sheet of People Centered Support Services, Inc., an S corporation, as of June 30, 2007, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of People Centered Support Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Centered Support Services, Inc., as of June 30, 2007, and the results of its operation and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of People Centered Support Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Edwards, Wade & Perry
Ruston, Louisiana
December 14, 2007

People Centered Support Services, Inc.
Balance Sheet
As of June 30, 2007

ASSETS

Current assets:	
Cash and cash investments	\$138,313
Accounts receivables-trade	<u>167,256</u>
Total current assets	<u>305,569</u>
Non-current assets:	
Accounts receivable - officer	169,414
Due from related party	724,757
Other assets	3,535
Capital assets (net of accumulated depreciation)	<u>308,954</u>
Total Non-current assets	<u>1,206,660</u>
TOTAL ASSETS	<u><u>\$1,512,229</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Accounts, salaries, and other payables	\$56,775
Accrued liabilities	102,507
Current portion of loan and note payable	<u>7,000</u>
Total current liabilities	<u>166,282</u>
Non-current liabilities:	
Note payable	70,830
Loan payable	<u>21,863</u>
Total non-current liabilities	<u>92,694</u>
Total liabilities	<u>258,976</u>
Stockholder's Equity	
Common stock, no par value, 5,000 shares authorized, 100 shares issued and outstanding in 2007	5,000
Capital - Shareholder	1,246,949
Distributions	(29,693)
Retained earnings	<u>30,997</u>
Total Stockholder's Equity	<u>1,253,253</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$1,512,229</u></u>

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the Year Ended June 30, 2007

REVENUES	
Follow along	\$15,373
Mobile crew	79,823
Vocational	68,684
Medicaid	1,559,793
Personal care attendant - OCDD	16,907
Self-generated income	117,216
Other revenues	3,580
TOTAL REVENUES	<u>1,861,376</u>
EXPENSES	
Advertising	604
Bank charges	1,045
Dues	225
Licenses and permits	952
Auto expenses	39,620
Postage	786
Professional services	27,938
Telephone	10,938
Rent	23,381
Travel & seminar	23,649
Miscellaneous expense	18,519
Repairs and maintenance	19,132
Supplies	32,059
Utilities	19,166
Taxes - other	3,964
Yard expenses	8,211
Outside services	5,200
Consumer wages	75,660
Consumer supplies	80,293
Consultants	3,405
Depreciation	24,484
Salaries & wages	1,212,399
Accrued payroll	14,575
Payroll taxes	107,993
Postretirement expenses	3,648
Bad debt expense	33,166

(Continued)

See accompanying auditor's report and notes to financial statements.

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the year ended June 30, 2007

EXPENSES (Continued)

Insurance	\$113,666
Management fee allocation	<u>(49,035)</u>
TOTAL EXPENSES	<u>1,855,643</u>
Operating Income	5,733

NON-OPERATING INCOME (Expense)

Interest expense	(9,413)
Rent income	6,801
Interest income	<u>27,875</u>
TOTAL NON-OPERATING INCOME (Expense)	<u>25,264</u>

NET INCOME	30,997
Retained earnings, beginning	1,251,949
Distributions, current year	<u>(29,693)</u>
Retained earnings, ending	<u>\$1,253,253</u>

See accompanying auditor's report and notes to financial statements.

People Centered Support Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash Flows from Operating Activities	
Receipts from customers and users	\$1,946,572
Receipts from related party	18,220
Payments to suppliers	(479,445)
Payments to employees	(1,320,392)
Payments to related party	<u>(90,416)</u>
Net Cash Provided by Operating Activities	<u>74,539</u>
Cash Flows from Noncapital Financing Activities	
Current year distribution to shareholder	<u>(29,693)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(29,693)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(15,416)
Principal paid on capital debt	(7,456)
Interest paid on capital debt	<u>(9,413)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,285)</u>
Cash Flows from Investing Activities	
Rent income	6,801
Interest income	<u>27,875</u>
Net Cash Provided by Investing Activities	<u>34,676</u>
Net Increase in Cash and equivalents	47,237
Cash and equivalents, Beginning of Year	<u>91,076</u>
Cash and equivalents, End of Year	<u><u>\$138,313</u></u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities	
Operating income	\$5,733
Depreciation expense	24,484
(Increase) decrease in accounts receivable	91,766
(Increase) decrease in due from related party	(90,416)
(Increase) decrease in accounts receivable - officer	18,220
(Increase) decrease in other assets	896
(Increase) decrease in accounts payable	(38,838)
(Increase) decrease in accrued liabilities	<u>62,694</u>
Net Cash Provided by Operating Activities	<u><u>\$74,539</u></u>
Reconciliation of total cash and cash investments:	
Current assets - cash and cash investments	<u>\$138,313</u>
Total cash and cash investments	<u><u>\$138,313</u></u>

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2007

INTRODUCTION

People Centered Support Services, Inc.'s (an S corporation) primary business activity is to provide services by qualified staff to the targeted or waiver population to assist them in gaining access to the full range of needed services including medical, social, emotional, and other support services. The Company has one location in Ruston, Louisiana. The Company is a corporation which incorporated on March 17, 1999.

Method of Accounting

The books and records are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with an initial maturity of three months or less.

Receivables

The Company uses the direct writeoff method of recognizing bad debts. Management considered all accounts receivable at June 30, 2007 to be fully collectible, therefore no allowance for doubtful accounts was recorded. Although the direct write-off method is not in accordance with generally accepted accounting principles (GAAP), it approximates GAAP if all material doubtful accounts have been written off and the Company does not anticipate a significant increase in bad debts.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the, straight-line method over the estimated useful lives with respect to major classes of depreciable assets as follows:

Furniture and equipment	3 - 10 years
Vehicle	5 years
Building	27 ½ years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2007, the Company has cash and cash equivalents (book balances) totaling \$138,313 as follows:

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2007

Demand deposits	\$138,313
Time deposits	<u>0</u>
Total	<u>\$138,313</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2007, the Company has \$138,880 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3). The Corporation has a balance in excess of FDIC coverage and pledged securities in one bank for which it is at risk.

3. PROPERTY AND EQUIPMENT

The following is a schedule of additions and deletions for the year ended June 30, 2007:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Equipment	\$15,877	\$15,417		\$31,294
Vehicle	145,426			145,426
Building	259,848			259,848
Less accumulated depreciation	(103,130)	(24,484)		(127,614)
Total	<u>\$318,021</u>	<u>(\$9,067)</u>	<u>\$0</u>	<u>\$308,954</u>

4. COMPENSATED ABSENCES

Sick leave is earned by full-time employees at the rate of 1.85 hours per pay period. Sick leave may be accrued but when the balance is greater than 48 hours, the Company buys back to excess hours. Personal leave is earned by full-time employees at the rate of 3.08 hours per pay period or 4.62 hours per pay period after 5 years of employment. Personal leave may be accrued but when the balance is greater than 80 hours or 120 hours after 5 years of employment, the Company buys back to excess hours.

Accrued compensated absences consist of unpaid sick leave and personal leave as follows:

Sick leave	\$20,517
Personal leave	<u>30,402</u>
Total	<u>\$50,919</u>

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2007

5. LEASES

For the year ended June 30, 2007, the Company did not have any capital leases.

6. PROGRAMS

The organization's principal programs and primary funding sources are:

Adult Habilitation - this program's income is derived from the Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and pre-vocational activities and supportive services.

Vocational Rehabilitation - this program's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

Supported Work Contracts - this program's income is derived from services by clients which include janitorial and other contracts.

Supported/Independent Living - this program's income is derived from the Louisiana Department of Health and Hospitals. This program helps the individual clients become more independent by providing support and training in their residences within the community.

Personal Care Attendant - this program's income is derived from the Louisiana Department of Health and Hospitals. This program provides support and training for individuals in satisfying their own personal needs.

7. RELATED PARTY TRANSACTIONS

The related parties consist of one company with common ownership and one non-profit company whose executive director is the Company's 100% stockholder. The following is a summary of the due from related party transactions for the year ended June 30, 2007:

Balance, June 30, 2006	\$634,340
Management fee allocation	49,035
Payments made for related parties	16,197
Payments made to related parties	4,800
Payments received	(7,491)
Imputed interest @ 4%	<u>27,876</u>
Balance, June 30, 2007	<u>\$724,757</u>

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2007

8. STOCKHOLDERS' EQUITY

	Common Stock	Distributions	Retained Earnings	Total Stockholders' Equity
July 1, 2006	\$5,000	(\$474,973)	\$1,721,922	\$1,251,949
Distributions		(29,693)		(29,693)
Net Income			30,997	30,997
June 30, 2007	<u>\$5,000</u>	<u>(\$504,666)</u>	<u>\$1,752,919</u>	<u>\$1,253,253</u>

9. SCHEDULE OF REVENUE

	State	Fees for Services	Total
Adult services	\$21,895	\$456,671	\$478,566
Residential services		82,700	82,700
Personal Care		1,296,529	1,296,529
Other		3,581	3,581
Total	<u>\$21,895</u>	<u>\$1,839,481</u>	<u>\$1,861,376</u>

10. RISK MANAGEMENT

The Company is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Company maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

EDWARDS, WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana

We have audited the financial statements of the People Centered Support Services, Inc. as of and for the year ended June 30, 2007 and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Centered Support Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered People Centered Support Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the district's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements

on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the reportable conditions described is a material weakness.

The Company's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Edwards, Wade & Peery
Ruston, Louisiana
December 14, 2007

People Centered Support Services, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

We have audited the financial statements of People Centered Support Services, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of People Centered Support Services, Inc. resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Significant Deficiency ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

2. Federal Awards

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable ☐ Yes ☒ No

Type of Opinion On Compliance	Unqualified <input checked="" type="checkbox"/>	Qualified <input type="checkbox"/>
For Major Programs	Disclaimer <input type="checkbox"/>	Adverse <input type="checkbox"/>

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
☐ Yes ☒ No

Was a management letter issued? ☐ Yes ☒ No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? ☐ Yes ☒ No

B. Financial Statements Findings

07-1. During fieldwork testing, it was determined that the overall internal control for the Company is inadequate. The following are examples of the Company's poor internal control:

Numerous checks were unaccounted for. Forty-seven (47) voided checks could not be located. Eleven thousand five hundred twelve (11,512) missing and/or duplicate checks could not be located for examination or explained. This is a repeat finding (prior year management letter).

Recommendation: Establish internal controls for maintaining complete supporting documentation.

C. Federal Award Findings and Questioned Costs

None

People Centered Support Services, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2006

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

06-1. Missing and voided checks unaccounted for.

Conclusion: Unresolved - see 07-1.

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

PEOPLE CENTERED SUPPORT SERVICES, INC.
1201 ATKINS ROAD
RUSTON, LA 71270
(318)255-9105

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2007

People Centered Support Services, Inc. hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

07-1. The Company has implemented policies and procedures for maintaining supporting documentation.